

**TexasOnline 2.0 BUSINESS MODEL FORECAST**  
**Appendix E.6 Instructions for Completing Opportunities for Distinction**

*This worksheet is for information purposes only.*

**General Instructions for E.6-Opportunities for Distinction**

**IMPORTANT INSTRUCTIONS:** Completion of E.6-Opportunities for Distinction is a mandatory requirement of the RFO. A full and fair evaluation of the Vendor Offer cannot be completed without full and complete information provided in all worksheets.

For the following worksheets, the Vendor must provide best estimate on revenues, costs, and capital investments that are consistent with and supported by plans in its Offer. Satisfactory completion of Appendix E.6 requires the Vendor to complete and submit estimates in as many separate worksheets as needed.

*Worksheet 2.4.4 (a)-Opportunities for Distinction #1*

*Worksheet 2.4.4 (b)-Opportunities for Distinction #2*

*Worksheet 2.4.4 (c)-Opportunities for Distinction #3*

The information provided in all worksheets will be combined with other worksheets for evaluation purposes. It is critical that the Vendor does not change the format of this worksheet. Information must be submitted exactly as requested for the Vendor response to be considered in compliance.

**ESTIMATES ARE BASED IN FISCAL YEARS.** It is important to note that estimates must follow the State's fiscal year budget cycle, which for fiscal year 2010 (FY2010), begins September 1, 2009. Since the TexasOnline 2.0 contract begins January 1, 2010, the first estimates for FY2010 (Column C) cover the 8-month period from January 1, 2010 through August 31, 2010. From then on, the Vendor annual estimates will coincide with the State's fiscal year budget cycle until August 31, 2016.

**Specific Instructions for E.6 Opportunities for Distinction**

**Revenues (Lines 6-7):** For each Opportunity for Distinction that is proposed, the Vendor will provide the expected transaction and service revenues (in dollar terms) for each of the fiscal years identified. Do not include the revenues for Portal Enhancements or Strategic Requirements. These must be accounted for separately in Worksheets E.4 and E.5, respectively.

**Total All Costs (Line 42):** Provides a summary of all cost estimates for a specific Opportunity for Distinction. Total All Costs is the addition of four components: Variable Costs, 20% State Share of Total Revenue, Labor/Operations Costs, and Depreciation Costs. Costs that are shared across one or more Opportunities for Distinction must be described in the narrative response of the Financial Plan.

Note: The First Renewal Agreement (p.5) in Appendix F.1(c) defines "costs" as "all costs, expenditures and expenses either related to capitalized assets or operations as further defined and computed by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB)."

Do not include the costs expected to be incurred for Portal Enhancements or Strategic Requirements. These must be accounted for separately.

*Following are additional instructions for completing Worksheet E.6.*

**Variable Costs (Lines 11-14):** Expenses that vary in direct proportion to the volume of business (e.g., number of transactions). Variable Costs may include fees paid for credit card processing, etc. Include all other variable costs not identified in the "Other" fields (Line 14). The Vendor must describe, in the narrative response, the costs included in the "Other" category.

**20% State Share of Total Revenue (Line 17):** The business model (base case) requires TexasOnline 2.0 to pay a 20 percent share of Total Revenues to the State, minus credit card fees. This expense is calculated automatically in the worksheet.

**Total Labor/Operations Costs (Line 25):** The sum of all costs for Labor and non-Labor Operations costs.

- Labor Costs (Lines 20-24): Provide salary and wage expenses (in dollars) for personnel organized along the five departments as defined in E.1.
- Non-Labor Operations Costs (Lines 28-33): Provide estimates for key operational cost areas that are not related to labor.
  - Data Center (Line 28): As covered in Section 2.6.4, the Data Center operations for TexasOnline 2.0 will be provided as a service by Team for Texas. To understand the scope and estimate costs for the Data Center operations, refer to F.3-Computing Environment and the DCS Unit Rates in the TexasOnline 2.0 Resource Room, for additional instructions.
  - TEX-AN (Line 29): TexasOnline 2.0 is required to purchase its telecommunications services from the TEX-AN NG contracts. As of the date of this publication, the TEX-AN NG contracts are not available for Vendors to use in their projections. The Vendor will use the actual TexasOnline network services cost from fiscal year 2008, which was \$174,861, as the cost for each year of the Initial Term of the Agreement. The TEX-AN cost is for information purposes only and does not reflect any forward-looking description of anticipated usage.
  - Software Licensing (Line 30): Represents the installation and ongoing maintenance license fees for all general management and application-specific software. This does not include the cost of systems software and other software provided by the Data Center Schedule (Appendix F.8). Software Licensing costs associated with Capital Investments, such as for Infrastructure or New Applications, should not be included in this line.
  - Non-Data Center Hardware (Line 31): The Vendor may invest in computer hardware and other equipment not within the scope of the Data Center operations.
  - Marketing/Promotions (Line 32): The Vendor may incur costs related to developing communications collateral, promotional materials, advertising, and other marketing services.
  - Other Operational Costs (Line 33): Any additional non-labor costs that have not been identified above should be input in this cost area. The Vendor must provide an explanation of these costs in the Financial Plan response per Section 3.6 of the RFO.

**Depreciation (Line 36):** The Vendor must estimate the depreciation expense related to the investment in Capital Assets (Lines 46-47) in accordance with GAAP.

**Capital Investment (Lines 43-44):** The estimate of the Vendor planned expenditures throughout the base contract period for Capital Investment associated with each unique Opportunity for Distinction. Capital Investments refers to money invested that is used to purchase fixed assets or in the development of a new application or service, rather than used to cover the business' day-to-day operating expenses. For the purposes of this Statement of Operations, Capital Investments are categorized as either investments in Internal Infrastructure or New Application Development. Capital Investments that are shared across one or more Opportunities for Distinction must be described in the narrative response of the Financial Plan.

The First Renewal Agreement (p.5) in Appendix F.1(c) defines "capital assets" as "long-term assets with a depreciable life of at least one year and a cost of at least \$5,000, generally including assets such as land, buildings, fixtures, and equipment."

Do not include the Capital Investments for Portal Enhancements or Strategic Requirements. These must be accounted for separately in Worksheets E.4 and E.5, respectively.

**Available Contribution for Investment Recovery and Net Share (Line 47):** The net amount (surplus or deficit) that Total Revenues exceed Total All Costs and Capital Investments on an annual basis. The net contribution surplus is applied toward the Vendor accrued Capital Investments until full recovery of investments is reached. Once the Breakeven point for the Vendor investment is reached, the Net Contribution dollars are available for a Net Share (50/50) distribution to the State and Vendor.

## Appendix E.6 Opportunities for Distinction

### Opportunities for Distinction #1

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenues</b>							
Transaction Revenue							
Service Revenue							
<b>Total Revenues</b>	-	-	-	-	-	-	-
<b>Variable Costs</b>							
Credit Card Fees							
ePay/Transaction Processing							
Call Center Support and DL IVR							
Other							
<b>Total Variable Costs</b>	-	-	-	-	-	-	-
<b>20% State Share of Total Revenue</b>	-	-	-	-	-	-	-
<b>Labor Costs</b>							
Management (General & Administrative)							
Operations							
Product Development/Tech/Engineering							
Marketing/Outreach							
Help Desk/Customer Support							
<b>Total Labor Costs</b>	-	-	-	-	-	-	-
<b>Non-Labor Operations Costs</b>							
Data Center							
Texas Telecommunications							
Software Licensing							
Non-Data Center Hardware							
Marketing/Promotion							
Other							
<b>Total Non-Labor Operations Costs</b>	-	-	-	-	-	-	-
<b>Depreciation Costs</b>							
<b>Total All Costs</b>	-	-	-	-	-	-	-
<b>Capital Investment</b>							
New Application Development							
Internal Infrastructure							
<b>Total Capital Investment</b>	-	-	-	-	-	-	-
<b>Available Contribution for Investment Recovery &amp; Net Share</b>	-	-	-	-	-	-	-

## Appendix E.6 Opportunities for Distinction

### Opportunities for Distinction #2

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenues</b>							
Transaction Revenue							
Service Revenue							
<b>Total Revenues</b>	-	-	-	-	-	-	-
<b>Variable Costs</b>							
Credit Card Fees							
ePay/Transaction Processing							
Call Center Support and DL IVR							
Other							
<b>Total Variable Costs</b>	-	-	-	-	-	-	-
<b>20% State Share of Total Revenue</b>	-	-	-	-	-	-	-
<b>Labor Costs</b>							
Management (General & Administrative)							
Operations							
Product Development/Tech/Engineering							
Marketing/Outreach							
Help Desk/Customer Support							
<b>Total Labor Costs</b>	-	-	-	-	-	-	-
<b>Non-Labor Operations Costs</b>							
Data Center							
Texan Telecommunications							
Software Licensing							
Non-Data Center Hardware							
Marketing/Promotion							
Other							
<b>Total Non-Labor Operations Costs</b>	-	-	-	-	-	-	-
<b>Depreciation Costs</b>							
<b>Total All Costs</b>	-	-	-	-	-	-	-
<b>Capital Investment</b>							
New Application Development							
Internal Infrastructure							
<b>Total Capital Investment</b>	-	-	-	-	-	-	-
<b>Available Contribution for Investment Recovery &amp; Net Share</b>	-	-	-	-	-	-	-

## Appendix E.6 Opportunities for Distinction

### Opportunities for Distinction #3

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Revenues</b>							
Transaction Revenue							
Service Revenue							
<b>Total Revenues</b>	-	-	-	-	-	-	-
<b>Variable Costs</b>							
Credit Card Fees							
ePay/Transaction Processing							
Call Center Support and DL IVR							
Other							
<b>Total Variable Costs</b>	-	-	-	-	-	-	-
<b>20% State Share of Total Revenue</b>	-	-	-	-	-	-	-
<b>Labor Costs</b>							
Management (General & Administrative)							
Operations							
Product Development/Tech/Engineering							
Marketing/Outreach							
Help Desk/Customer Support							
<b>Total Labor Costs</b>	-	-	-	-	-	-	-
<b>Non-Labor Operations Costs</b>							
Data Center							
Texan Telecommunications							
Software Licensing							
Non-Data Center Hardware							
Marketing/Promotion							
Other							
<b>Total Non-Labor Operations Costs</b>	-	-	-	-	-	-	-
<b>Depreciation Costs</b>							
<b>Total All Costs</b>	-	-	-	-	-	-	-
<b>Capital Investment</b>							
New Application Development							
Internal Infrastructure							
<b>Total Capital Investment</b>	-	-	-	-	-	-	-
<b>Available Contribution for Investment Recovery &amp; Net Share</b>	-	-	-	-	-	-	-